

# **Power Corporation Superannuation Plan**

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**1999 Annual Report**

**A Gask Power**

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## Message from the Board

The Power Corporation Superannuation Board (the Board) is pleased to present the 1999 annual report of the Power Corporation Superannuation Plan (the Plan). Designed to provide information about the Plan, the annual report highlights plan governance and management, investment strategy and financial results.

Pursuant to *The Power Corporation Superannuation Act*, SaskPower is responsible for payment of pension benefits to the members. Beyond this legal requirement to pay, however, the Board aims to maximize the investment returns of the Plan while managing to a moderate level of risk.

The Plan achieved a 12.7% return on investment for the year. Over a four-year period, the Plan has provided a return of 14.8%. This return was higher than both the industry average and total fund benchmark while maintaining a low level of risk. This has been accomplished through prudent diversification of the investment portfolio. Risk management is a critical component of the investment strategy and is assessed by the Board when monitoring the performance of the investment managers.

In response to a request from the Power Pioneer Association Inc., SaskPower agreed to add one of their members to the Board. In addition to this superannuate representative, a decision was made to appoint a SaskEnergy management representative as well. The legislative amendments required to expand the size of the Board are anticipated to occur in 2000. In the interim, these representatives are participating in an observer capacity.



**William P. Hyde, Chair**  
**Vice-President**  
**Human Resources**  
**SaskPower**

## Plan history

The history of the Power Corporation Superannuation Plan (the Plan) actually predates SaskPower. It was originally created in 1944 with the passing of *The Power Commission Superannuation Act, 1944*. In 1950, when the Power Commission evolved into SaskPower, new legislation governing the defined benefit pension plan was passed — *The Power Corporation Superannuation Act* (the Act). The Act forms the basis of the current Plan. The Plan is administered in accordance with the Act as well as *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*. The Plan exists to provide its members with benefits upon retirement.

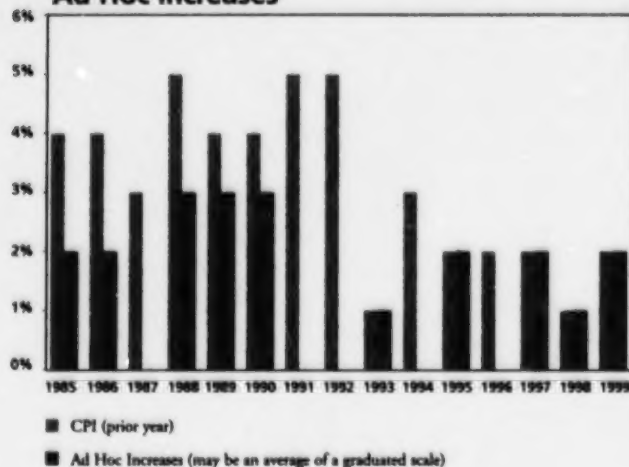
In 1977, the Province of Saskatchewan passed legislation creating a defined contribution plan that is now called The Public Employees Pension Plan (PEPP). For a period of one year, members of the defined benefit plan had the option of transferring to PEPP. The defined benefit plan has been substantially closed to new members since October 1, 1977 and employees joining SaskPower after that date are required to join PEPP.

## Plan membership and legislative highlights

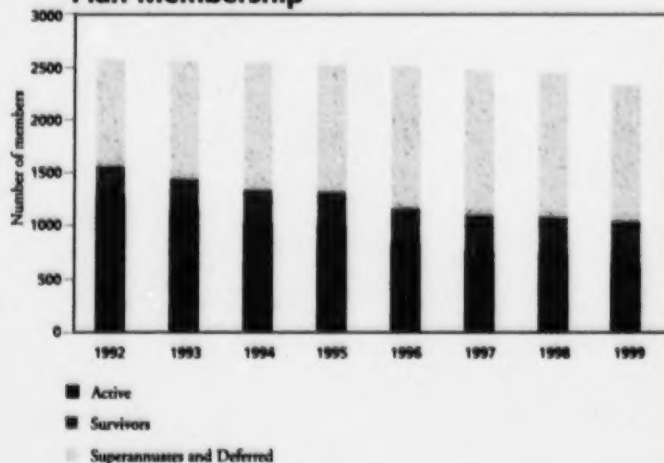
In 1999, a 1.61% cost of living increase was applied to pensions paid by the Plan. Although the Plan is not indexed, the Government of Saskatchewan annually reviews the level of pensions paid to superannuates. As a result of this review, the Lieutenant-Governor in Council may declare an increase up to the average of the Consumer Price Index (CPI). The Plan increases are based on the average of the CPI for Saskatoon and Regina in the previous calendar year. Ad hoc increases have been granted in 18 of the past 23 years.

In 1999, there were 718 active members consisting of SaskPower, SaskEnergy, ISM and Wascana Energy Inc.

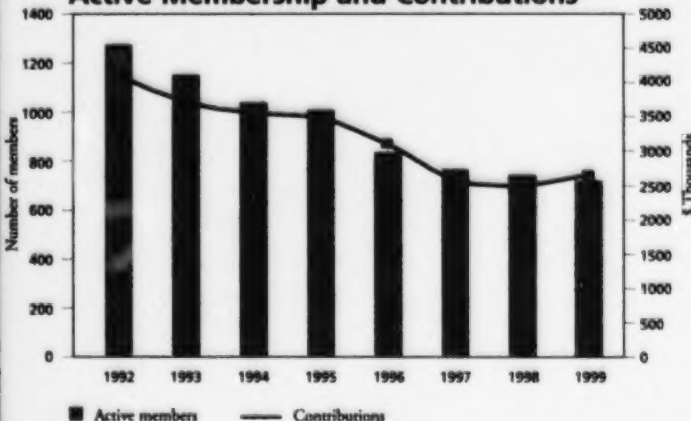
### Ad Hoc Increases



### Plan Membership



## Active Membership and Contributions



employees. There were 1,685 people receiving a pension and 22 people eligible for a deferred pension. Active membership in the Plan has steadily declined since the Plan was closed on October 1, 1977. Contributions from members will continue to decrease as active members move into the superannuate group.

Over the life of the Plan, both the members and the employers have contributed to the funding of the Plan. The ongoing funding requirement of the members is calculated as a percentage of their pensionable earnings less a reduction for contributions to the Canada Pension Plan. Employer contributions originated from SaskPower and from the following institutions: SaskEnergy, ISM and Wascana Energy Inc. Because SaskPower is responsible for providing the retirement benefits for all members, the corporation relies on actuarial valuations to determine its funding requirements. Contributions of active members employed by institutions are matched by those institutions.

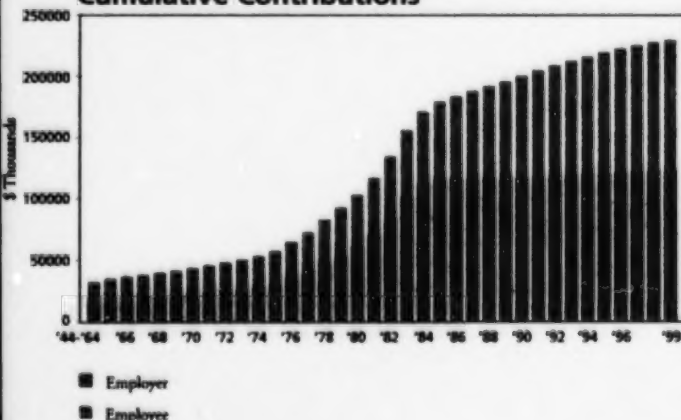
Since the inception of the Plan, the contributions have been split 53% employer and 47% member.

## Year 2000

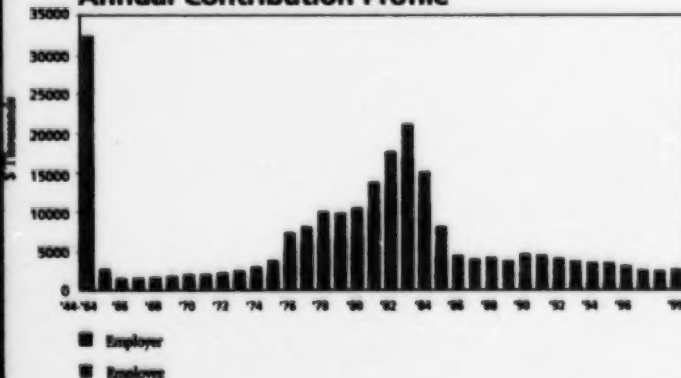
The Year 2000 (Y2K) issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed.

To address this issue, SaskPower established a Y2K Program Management Organization (PMO) to review the corporation's internal systems and to approach investment managers, the custodian, investment advisors and the actuary for assurance of their Y2K readiness. As a result of the efforts of SaskPower's Y2K PMO, the Plan did not experience any adverse effects from either the year-end rollover to January 1, 2000, or the leap year transition, February 28 to March 1, 2000.

## Cumulative Contributions



## Annual Contribution Profile



## Plan governance

A governance structure has been established for the Plan to ensure that investments of the Plan are managed prudently, appropriately and in compliance with all applicable legislation on an ongoing basis. Governance is defined within the Statement of Investment Policies and Goals (the Policy). The Policy embodies the intent of the legislation by which the Plan is governed and sets out guidelines for the practical operation of the Plan. The purpose of the Policy is to formulate those investment principles, guidelines and monitoring procedures that are appropriate to the needs and objectives of the Plan. The Policy is reviewed annually by the Board.

### Power Corporation Superannuation Board

There is currently a five-member board appointed by the Lieutenant-Governor in Council to administer the Plan. The members of the Board, as at December 31, 1999, were:

- **Bill Hyde, Chair**  
Vice-President, Human Resources, SaskPower
- **Pat Hall**  
Controller, SaskPower
- **Jim Fink**  
Superannuate, SaskPower
- **Brian Ross**  
Employee Representative (IBEW), SaskPower
- **Ken Pielak**  
Employee Representative (CEP), SaskEnergy

### Role of the Board

It is the Board's responsibility to administer the Plan according to all applicable legislation. The Board's activities include, but are not limited to:

- establishing and implementing the Policy;
- determining the investment mix;
- choosing and directing the external experts;
- monitoring the performance of both the external experts and the overall Plan;
- investing or disposing of any securities of the Plan fund according to applicable legislation;
- determining the application of the Act when questions arise;
- approving pensions;
- submitting audited financial statements annually to the Minister; and
- upgrading the pension fiduciary knowledge and investment management skills of the Board members.

The Board has delegated the day-to-day operational responsibility for the Plan to the staff of SaskPower. SaskPower staff are involved in monitoring the activities of the investment managers and reviewing the asset mix allocation on a monthly basis. They also serve as the primary contact for member queries. SaskPower management reports back to the Board on a regular basis providing details of financial transactions, investments, pension calculations and the overall performance of the Plan.

The Board meets semi-annually with the investment advisor and the investment managers to discuss investment performance, strategies and expected future performance. The Board also meets with the actuary to review assumptions and valuation results and with the Plan's external auditors to review the annual audit of the Plan's financial statements. In 1999, the Board convened quarterly to review the financial results and the performance of the Plan.

## External experts

In accordance with the Policy, the governance structure relies on external experts for certain aspects of the Plan's operations where expert knowledge is required or where there is a perceived or actual conflict of interest. The experts utilized include investment managers, an investment advisor, a custodian, auditors and an actuary.

### Investment managers

Investment managers have been chosen with respect to their expertise within a particular asset class. The Board has a formal agreement with each investment manager that contains an investment mandate formulated to optimize the risk/return profile for each asset class. The investment managers devise and implement investment strategy within their mandates and report the results to the Board on a quarterly basis.

The Board regularly conducts comprehensive reviews of the investment managers' performance. As a result of these reviews, a decision was made to initiate a search process for a new Canadian equity manager. In October 1999, Jarislowsky Fraser Ltd. was selected to replace Laketon Investment Management Ltd.

The investment managers as at December 31, 1999, were:

| ASSET CLASS                           | INVESTMENT MANAGERS                                          |
|---------------------------------------|--------------------------------------------------------------|
| Canadian equity                       | Jarislowsky Fraser Ltd.                                      |
| International equity                  | Templeton Management Limited                                 |
| International equity                  | Vontobel (an affiliate of Greystone Capital Management Inc.) |
| U.S. S&P 500 equity index             | Newcastle Capital Management Inc.                            |
| Bond                                  | Perigee Investment Counsel Inc.                              |
| Canadian equity, bond and real estate | Greystone Capital Management Inc.                            |

### Investment advisor

Towers Perrin provides an analytical review of the total fund, the asset classes and the investment managers' performance, relative to peers and Plan benchmarks. The company monitors each manager's style and risk characteristics and comments on the acceptability of performance. It advises the Board on overall investment policy and management that would best achieve the Plan objectives.

### Custodian

Effective November 1999, CIBC Mellon Global Securities Services Company (CIBC Mellon) became the custodian for the Plan due to their acquisition of The Trust Company of the Bank of Montreal (Trust BMO). CIBC Mellon is contracted to monitor investment transactions and provide record-keeping services for the Plan. The company holds custody of the assets of the Plan and is responsible for executing investment transactions and collecting income.

### Auditors

On an annual basis, Ernst & Young LLP performs an audit of the Plan's fiscal year-end financial statements prepared by SaskPower management. The audit focuses on the existence, completeness and valuation of Plan assets, the measurement of Plan income and expenses and the fairness of presentation in accordance with accounting principles generally accepted in Canada. In accordance with professional standards, the auditor communicates with the Plan's actuary and reviews the actuarial report for consistency with other information reviewed in the course of the audit.

Ernst & Young's professional opinion on the financial statements is found in the auditors' report on page 11. Ernst & Young also issues auditors' reports addressed to the Provincial Auditor on the Plan's internal controls, compliance with certain legislation and other matters that may come to their attention.

### Actuary

The role of Aon Consulting Inc. is to prepare annual actuarial valuations for accounting purposes and to make recommendations related to policies on benefits and funding. The actuarial opinion and cost certificate are found on page 10.

## Investment strategy

### Approach to investing

The Plan is managed in a way that will enable it to meet its pension payment obligations. Securing these payment obligations requires an investment portfolio that will generate adequate returns consistently over time. In order to accomplish this goal, funds are divided among a number of investment managers who then invest in a wide range of securities and asset classes: stocks, bonds and real estate in both domestic and foreign capital markets. This diversification reduces the inherent risk involved in investing. It recognizes that while markets will rise and fall, combining different types of investments in a portfolio smoothes out the fluctuations and limits the possibility of a major, permanent loss of capital which can come about from investing in a narrow group of assets.

### Investment policy

An investment policy that reflects this basic philosophy of diversification and protection of capital exists as a guide for investment managers. The purpose of the investment policy is to outline investment principles, guidelines and monitoring procedures that are appropriate for prudent Plan governance. This is accomplished in a manner that conforms to applicable legislation and the specific characteristics of the Plan.

The Plan's investment policy has the following objectives:

- to ensure the Plan has sufficient assets to meet future pension obligations;
- to optimize the risk/return relationship of the Plan; and
- to generate sufficient cash flow to meet ongoing pension payments.

Monitoring Plan performance is a key activity in supporting the investment objectives. The Policy outlines a benchmark portfolio comprised of market index assets

weighted at the same asset allocation that is normal for the Plan. While broadly diversified, the benchmark portfolio emphasizes equity investments over fixed income on the basis of substantial evidence that over time, equities provide superior returns. The Plan's primary objective is to achieve a return over and above the following asset mix benchmark:

**Benchmark portfolio composition**

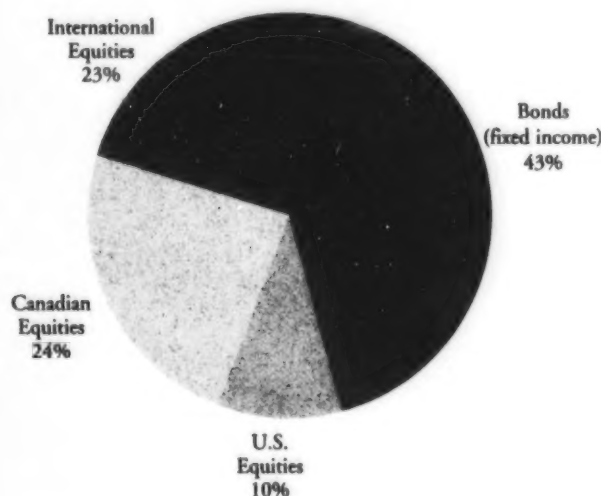
| ASSET CLASS            | MARKET INDEX                             | WEIGHT |
|------------------------|------------------------------------------|--------|
| Bonds (fixed income)   | Scotia Capital Markets Universe          | 45%    |
| Canadian equities      | TSE 300 Total Return Index               | 25%    |
| International equities | Morgan Stanley Capital EAFE Index        | 20%    |
| U.S. equities          | Standard & Poor's 500 Total Return Index | 10%    |
|                        |                                          | 100%   |

A secondary objective for the Plan return is to achieve a long-term rate of return of the average increase in the Consumer Price Index for Canada plus 4% per annum. These two objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles, i.e., over a four-to ten-year period.

To ensure diversification and risk control, the Policy sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, debt ratings, bond duration and real estate location and type. The Plan's foreign diversification is 33% and remains within Canada Customs and Revenue Agency's 20% foreign content limit through the use of instruments that replicate the investment performance of a recognized market index on a non-leveraged basis. This type of investment allows for greater diversification and moderation of risk.

The allocation of assets in 1999 conformed to the guidelines of the investment policy as shown in the following graph:

### Asset Allocation 1999



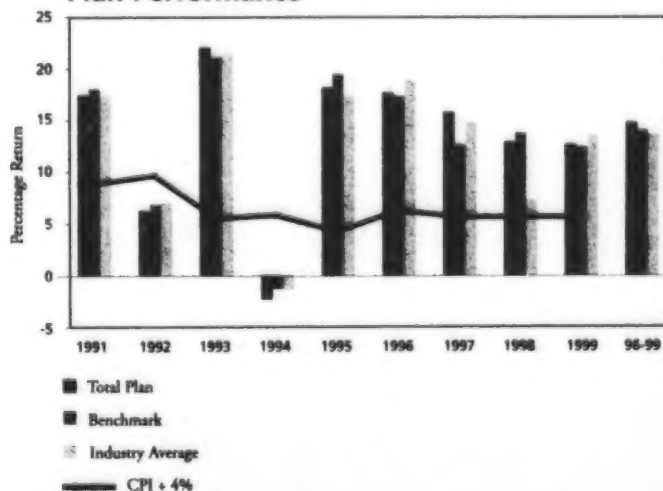
## Investment performance

The Plan's performance is measured by comparing its return to that of the benchmark portfolio. Ranking with other pension plans is also a useful indication of investment performance. During 1999, the Plan's return of 12.7% was in the top 50% of all pension plan returns in Canada. This was below the industry average mix return of 13.6%, but slightly above the total fund benchmark return of 12.5%.

A common standard within the pension fund industry is to calculate average performance on a four-year cycle. This longer-term measure has greater relevance and lower volatility than a one-year measurement. Over the period 1996-1999, the Plan had a return of 14.8%, as compared to the industry average mix return of 13.7% and the total fund benchmark return of 14.1%.

The graph illustrates that returns fluctuate from year to year. The underlying volatility of individual asset class returns is even more pronounced. The Policy sets out a diversification strategy designed to mitigate the effects of the volatility of individual asset class returns. As a result, the Plan's returns have historically been more stable. Additionally, Plan returns have been achieved at a lower average risk level than that of the industry average mix pension plan portfolio.

### Plan Performance



## Financial highlights

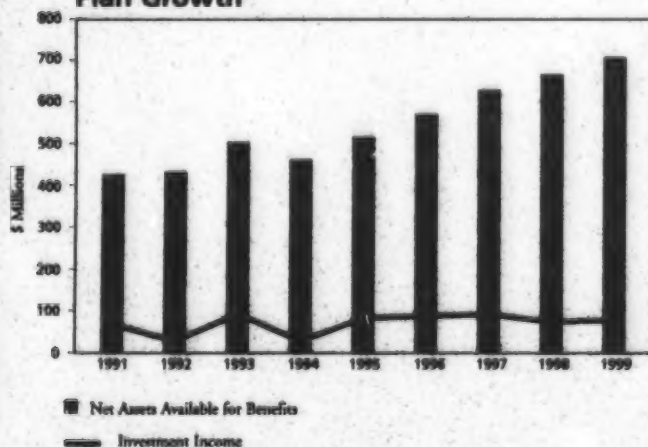
Net assets available for benefits grew from \$666 million to \$707 million during 1999. The net increase of \$41 million is attributable to the following:

|                                          | 1999      | 1998      |
|------------------------------------------|-----------|-----------|
| <b>INCOME</b>                            |           |           |
| Investment income                        | 27        | 27        |
| Increase in market values of investments | 51        | 47        |
| Contributions                            | 2         | 2         |
|                                          | <u>80</u> | <u>76</u> |
| <b>EXPENDITURES</b>                      |           |           |
| Benefits                                 | 37        | 37        |
| Administrative expenses                  | 2         | 2         |
|                                          | <u>39</u> | <u>39</u> |
| <b>Increase in net assets</b>            | <u>41</u> | <u>37</u> |

The Plan paid \$37 million in benefits in both years. Administrative expenses represent fees paid to the investment managers and the custodian for managing and recording the Plan's investments. This cost is 0.22% of the market value of the assets in 1999, compared to 0.24% in 1998. Administrative costs do not include expenses such as audit, actuarial and consulting fees or general administration costs. These costs are borne by SaskPower and are not charged to the Plan.

Income totaled \$80 million during the year – \$78 million from investments, compared with \$74 million in 1998 and contributions holding steady at \$2 million.

### Plan Growth



## Actuarial valuation

An actuarial valuation is performed annually as an assessment of the financial status of the Plan. This estimate of future benefit payments and investment income requires that many assumptions be made regarding the forecasting of economic factors, general demographic data and specific Plan activity. As the membership profile shifts and these assumptions change with time, the valuation results will fluctuate.

### Actuarial methodology and assumptions

In completing an actuarial valuation, certain future events must be considered. Numerous assumptions are made and future events are deemed to occur according to these assumptions. This methodology is called a best estimate actuarial valuation because it attempts to arrive at the most likely outcome.

The economic assumptions are based on published five-year forecasts, investment policy and specific characteristics of the Plan membership, with extrapolation to the end of the benefit period.

### Best estimate valuation economic assumptions

|                                | 2000 - 2004 | 2005 + |
|--------------------------------|-------------|--------|
| Nominal return on investment   | 6.75%       | 6.75%  |
| Nominal salary escalation rate | 2.5 to 5.0% | 5.0%   |
| Inflation rate                 | 2.0 to 4.0% | 4.0%   |
| Ad hoc increases (% of CPI)    | 50.0 %      | 50.0%  |

Other actuarial valuation assumptions are determined by reviewing Plan membership history in conjunction with general demographic data. These assumptions cover the following parameters:

- promotional salary increases;
- retirement ages;
- termination rates;
- mortality rates; and
- family composition.

While the actuarial assumptions used to estimate the Plan's liabilities are a best estimate of future events, it is inevitable that the Plan's future experience will differ from the estimates. Any differences between the actuarial assumptions and future experience will emerge as gains or losses and will affect the financial position (surplus or deficit) of the Plan. For example, if the actual inflation rate differs from the assumed rate by 0.5%, the pension liability and the financial position will change by \$17 million.

## Actuarial opinion and cost certificate

Aon Consulting Inc. was retained by the Power Corporation Superannuation Board (the Board) to perform an actuarial valuation of the assets and the going concern liabilities of the Power Corporation Superannuation Plan (the Plan) as at September 30, 1999, for accounting valuation and pension expense determination purposes. As part of the valuation, we examined the Plan's recent experience with respect to the non-economic assumptions and presented our findings to the Board. In addition, we provided the Board with statistical, survey and other information used to develop the long-term economic assumptions.

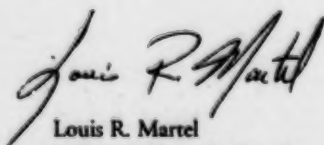
The valuation of the Plan's actuarial liabilities was based on:

- membership data provided by the Saskatchewan Power Corporation as at September 30, 1999;
- methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- assumptions about future events (for example, future rate of inflation and future rates of return on the pension fund) which represent management's best estimate of these events.

The objective of the financial statements is to fairly represent the financial position of the Plan on September 30, 1999, as a going concern. While the actuarial assumptions used to estimate liabilities for the Plan's financial statements represent management's best estimate of future events, and while in our opinion these assumptions are reasonable, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan, and the contributions required to fund it, at that time.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation and the assumptions are, in aggregate, appropriate for the purposes of the valuation. Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice.

The results of our accounting actuarial valuation disclosed total actuarial liabilities of \$630,983,000 in respect of benefits accrued for service prior to September 30, 1999, including the effect of a 1.61% ad hoc adjustment to pensions as at April 1, 1999. The actuarial value of assets at that date was \$655,540,000 indicating an accounting actuarial surplus of \$24,557,000. As well, our pension expense calculations revealed a 1999 calendar year pension credit of \$3,174,000.



Louis R. Martel  
Fellow, Society of Actuaries  
Fellow, Canadian Institute of Actuaries  
Chartered Financial Analyst

## Report of Management

Management is responsible for the integrity of the financial data reported by the Plan. Fulfilling this responsibility requires the preparation and presentation of financial statements and other data using management's best judgment, estimates and accounting principles generally accepted in Canada, applied on a basis consistent with the preceding year.

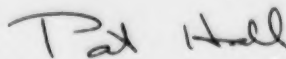
Management maintains appropriate systems of internal control, including corporate-wide policies and procedures and an internal audit program. These systems provide reasonable assurance that the Plan's assets are safeguarded and that financial records are relevant and reliable.

The Board ensures that management fulfills its responsibility for financial reporting and internal control. The Board meets regularly to review audit, internal control and financial reporting matters with management and internal and external auditors. The Board has reviewed the financial statements.

On behalf of Management,



William P. Hyde, Chair  
Vice-President, Human Resources  
SaskPower



Pat Hall  
Controller, Corporate and Financial Services  
SaskPower

## Auditors' report

### To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits of the Power Corporation Superannuation Plan as at December 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1999, and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in Canada.

Regina, Canada  
February 24, 2000

*Ernst & Young LLP*  
Chartered Accountants

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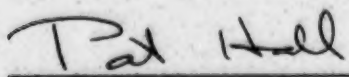
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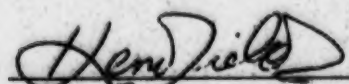
**POWER CORPORATION SUPERANNUATION PLAN**  
**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**  
As at December 31

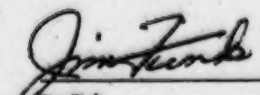
| (In thousands)                           | 1999                    | 1998                    |
|------------------------------------------|-------------------------|-------------------------|
| <b>ASSETS</b>                            |                         |                         |
| Investments (Schedule)                   |                         |                         |
| Short-term securities                    | \$ 83,516               | \$ 78,835               |
| Bonds and debentures                     | 278,043                 | 293,401                 |
| Equities                                 | 331,603                 | 278,541                 |
| Mortgages                                | 725                     | 749                     |
| Real estate                              | 7,570                   | 11,024                  |
|                                          | <u>701,561</u>          | <u>662,550</u>          |
| Receivables                              |                         |                         |
| Employees' contributions                 | 65                      | 60                      |
| Sponsors' contributions                  | 56                      | 58                      |
| Accrued investment income                | 3,360                   | 3,649                   |
| Other receivables                        | 16                      | 2,347                   |
|                                          | <u>3,497</u>            | <u>6,114</u>            |
| Cash                                     | <u>3,538</u>            | <u>1,328</u>            |
| <b>TOTAL ASSETS</b>                      | <u><u>708,596</u></u>   | <u><u>669,992</u></u>   |
| <b>LIABILITIES</b>                       |                         |                         |
| Accounts payable                         | <u>1,212</u>            | <u>4,011</u>            |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b> | <u><u>\$707,384</u></u> | <u><u>\$665,981</u></u> |

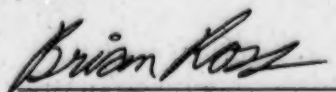
On behalf of the Board:

  
William P. Hyde, Chair

  
Pat Hall

  
Ken Pielak

  
Jim Pink

  
Brian Ross

See accompanying notes

**POWER CORPORATION SUPERANNUATION PLAN**  
**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE**  
**FOR BENEFITS**

For the year ended December 31

| (In thousands)                                              | 1999                    | 1998                    |
|-------------------------------------------------------------|-------------------------|-------------------------|
| <b>INCREASE IN ASSETS</b>                                   |                         |                         |
| Investment Income                                           |                         |                         |
| Interest                                                    |                         |                         |
| Short-term securities                                       | \$ 4,133                | \$ 4,564                |
| Bonds and debentures (Note 6)                               | 17,155                  | 17,150                  |
| Mortgages                                                   | 57                      | 58                      |
|                                                             | <u>21,345</u>           | <u>21,772</u>           |
| Dividends                                                   | 5,037                   | 4,746                   |
| Real estate income (Note 6)                                 | 637                     | 836                     |
|                                                             | <u>27,019</u>           | <u>27,354</u>           |
| <br>Increase in Market Values of Investments                | <br><u>51,068</u>       | <br><u>46,317</u>       |
| <br>Contributions                                           |                         |                         |
| Employees'                                                  | 1,919                   | 1,923                   |
| Sponsors'                                                   | 560                     | 563                     |
| Transfers                                                   | 180                     | —                       |
|                                                             | <u>2,659</u>            | <u>2,486</u>            |
| <b>TOTAL INCREASE IN ASSETS</b>                             | <b><u>80,746</u></b>    | <b><u>76,157</u></b>    |
| <br><b>DECREASE IN ASSETS</b>                               |                         |                         |
| Superannuation Allowances                                   | 37,367                  | 36,999                  |
| Refunds on Terminations                                     | 429                     | 496                     |
| Administrative Expenses (Notes 6 and 7)                     | 1,547                   | 1,573                   |
|                                                             | <u>39,343</u>           | <u>39,068</u>           |
| <b>TOTAL DECREASE IN ASSETS</b>                             | <b><u>39,343</u></b>    | <b><u>39,068</u></b>    |
| <br><b>INCREASE IN NET ASSETS</b>                           | <b><u>41,403</u></b>    | <b><u>37,089</u></b>    |
| <b>NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR</b> | <b><u>665,981</u></b>   | <b><u>628,892</u></b>   |
| <b>NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR</b>       | <b><u>\$707,384</u></b> | <b><u>\$665,981</u></b> |

See accompanying notes

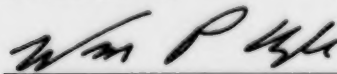
POWER CORPORATION SUPERANNUATION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

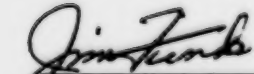
As at December 31

| (in thousands)                           | 1999             | 1998             |
|------------------------------------------|------------------|------------------|
| <b>ASSETS</b>                            |                  |                  |
| Investments (Schedule)                   |                  |                  |
| Short-term securities                    | \$ 83,516        | \$ 78,835        |
| Bonds and debentures                     | 278,045          | 293,401          |
| Equities                                 | 331,605          | 278,541          |
| Mortgages                                | 725              | 749              |
| Real estate                              | 7,670            | 11,024           |
|                                          | <u>701,561</u>   | <u>662,550</u>   |
| Receivables                              |                  |                  |
| Employees' contributions                 | 65               | 60               |
| Sponsors' contributions                  | 56               | 58               |
| Accrued investment income                | 3,360            | 3,649            |
| Other receivables                        | 16               | 2,347            |
|                                          | <u>3,497</u>     | <u>6,114</u>     |
| Cash                                     | <u>3,538</u>     | <u>1,328</u>     |
| <b>TOTAL ASSETS</b>                      | <u>708,596</u>   | <u>669,992</u>   |
| <b>LIABILITIES</b>                       |                  |                  |
| Accounts payable                         | <u>1,212</u>     | <u>4,011</u>     |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b> | <u>\$707,384</u> | <u>\$665,981</u> |

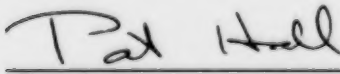
On behalf of the Board:



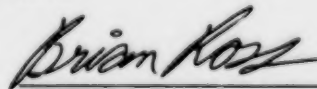
William P. Hyde, Chair



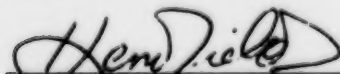
Jim Fink



Pat Hall



Brian Ross



Ken Pielak

See accompanying notes

## POWER CORPORATION SUPERANNUATION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE  
FOR BENEFITS

For the year ended December 31

| (in thousands)                                              | 1999                    | 1998                    |
|-------------------------------------------------------------|-------------------------|-------------------------|
| <b>INCREASE IN ASSETS</b>                                   |                         |                         |
| Investment Income                                           |                         |                         |
| Interest                                                    |                         |                         |
| Short-term securities                                       | \$ 4,133                | \$ 4,564                |
| Bonds and debentures (Note 6)                               | 17,155                  | 17,150                  |
| Mortgages                                                   | 57                      | 58                      |
|                                                             | <u>21,345</u>           | <u>21,772</u>           |
| Dividends                                                   | 5,037                   | 4,746                   |
| Real estate income (Note 6)                                 | 637                     | 836                     |
|                                                             | <u>27,019</u>           | <u>27,354</u>           |
| <br>Increase in Market Values of Investments                | <br><u>51,068</u>       | <br><u>46,317</u>       |
| <br>Contributions                                           |                         |                         |
| Employees'                                                  | 1,919                   | 1,923                   |
| Sponsors'                                                   | 560                     | 563                     |
| Transfers                                                   | 180                     | —                       |
|                                                             | <u>2,659</u>            | <u>2,486</u>            |
| <b>TOTAL INCREASE IN ASSETS</b>                             | <b><u>80,746</u></b>    | <b><u>76,157</u></b>    |
| <br><b>DECREASE IN ASSETS</b>                               |                         |                         |
| Superannuation Allowances                                   | 37,367                  | 36,999                  |
| Refunds on Terminations                                     | 429                     | 496                     |
| Administrative Expenses (Notes 6 and 7)                     | 1,547                   | 1,573                   |
|                                                             | <u>39,343</u>           | <u>39,068</u>           |
| <b>TOTAL DECREASE IN ASSETS</b>                             | <b><u>39,343</u></b>    | <b><u>39,068</u></b>    |
| <br><b>INCREASE IN NET ASSETS</b>                           | <b>41,403</b>           | <b>37,089</b>           |
| <b>NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR</b> | <b><u>665,981</u></b>   | <b><u>628,892</u></b>   |
| <b>NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR</b>       | <b><u>\$707,384</u></b> | <b><u>\$665,981</u></b> |

See accompanying notes

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# **POWER CORPORATION SUPERANNUATION PLAN NOTES TO FINANCIAL STATEMENTS**

**As at December 31, 1999**

## **1. DESCRIPTION OF PLAN**

The following description of The Power Corporation Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Power Corporation Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

### **a) General**

The Plan is a defined benefit pension plan maintained by Saskatchewan Power Corporation (the Corporation) for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees Pension Plan (formerly called the Public Employees (Government Contributory) Superannuation Plan), a defined contribution plan, before October 1, 1978. The Plan is administered by a five-person Board appointed by the Lieutenant-Governor in Council.

### **b) Members' Contributions**

Plan members contribute a percentage of their salary, at a rate based on their age when they became a contributor to the Plan following their most recent date of employment, and any agreements for an employee group, less a reduction for Canada Pension Plan contributions.

An employee makes no further contributions after 35 years of pensionable service.

### **c) Retirement Allowances**

The Plan provides an unreduced retirement allowance at age 65, at age 60 with at least 20 years pensionable service, or upon completion of 35 years pensionable service.

Retirement allowances are based on 2% of the best five-year average salary multiplied by the number of years pensionable service, up to a maximum of 35 years.

Employees may retire with a reduced allowance at age 55 with at least 30 years pensionable service or at age 60 with at least 15 years pensionable service.

The Lieutenant-Governor in Council may increase retirement allowances up to the annual rate of increase in the Consumer Price Index. The Plan increases are based upon the average of the Consumer Price Index for Saskatoon and Regina in the preceding year.

**POWER CORPORATION SUPERANNUATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
 As at December 31, 1999

**d) Survivors' Allowances**

Members may elect for a retirement allowance that, in the event of their death, provides 60% of their retirement allowance to pass to the person who was their spouse at the time of their retirement. Effective June 25, 1996, if the member dies before age 65, the spouse's survivor allowance will be proportionately reduced due to Canada Pension Plan integration when the member would have turned age 65.

Additional survivor benefits for dependent children may apply.

Alternatively, Plan members may elect to receive a 100% joint annuity whereby the member commences a reduced retirement allowance in order to pass the same retirement allowance to the person who was their spouse at the time of their retirement. When the Plan member dies, the spouse at the time of their retirement will receive the same allowance as the member received.

If no one is eligible to receive a survivor's allowance from the Plan, then the total of the member's contributions plus interest less any retirement allowances made up to the member's time of death, will be paid to the member's estate.

**e) Deferred Allowances**

An employee who is at least 30 years of age and has at least 10 years continuous pensionable service may elect to receive a deferred allowance upon ceasing employment with the Corporation.

Subject to re-employment limitations pursuant to *The Superannuation (Supplementary Provisions) Act*, the earliest that a deferred member with at least 10 years pensionable service and up to 20 years pensionable service may commence a retirement allowance, is at age 65. The earliest that a deferred member with greater than 20 years pensionable service may commence a retirement allowance, is at age 60.

**f) Refunds and Transfers**

Upon ceasing employment with the Corporation, prior to becoming eligible to receive an unreduced retirement allowance, Plan members may elect to receive a refund of their contributions with earned interest as: a lump sum payment less statutory deductions, a transfer to their registered retirement savings plan, or a transfer pursuant to the terms of an existing reciprocal agreement to another registered pension plan. Members, or their family, who elect a refund whether by lump sum payment or transfer have no further claim to the Plan.

**g) Income Taxes**

The Plan is a registered pension plan as defined in *The Income Tax Act* and is not subject to income taxes. Retirement allowances paid from the Plan are subject to source deductions that are withheld by SaskPower and remitted to Canada Customs and Revenue Agency.

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**POWER CORPORATION SUPERANNUATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

As at December 31, 1999

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The following policies are considered to be significant:

**a) Basis of Presentation**

These financial statements are prepared on a going concern basis and present the aggregate position of the Plan as a separate financial reporting entity independent of the Corporation and Plan members.

**b) Investments**

Investments are stated at market value. Bonds, debentures and equities are valued using year-end market quotations. Mortgages are valued at cost which approximates market. Real estate valuations are based on appraisals of the individual properties performed at least triennially. Short-term investments are valued at cost which approximates market.

**c) Investment Income**

Investment income consists of interest on bonds, debentures, short-term securities and mortgages which is recognized as it accrues, dividend income which is recognized as of the ex-dividend date and rental income which is recognized net of expenses on an accrual basis.

**d) Foreign Exchange**

Foreign investment purchases, sales and income are recorded in Canadian dollars at exchange rates in effect at the transaction date. Foreign-denominated investments and accrued investment income are translated at year-end exchange rates. The unrealized gains and losses arising from this translation are included in the statement of changes in net assets available for benefits as part of the increase in market value of investments.

## **3. INVESTMENTS**

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into a diversified pool of assets such as Canadian and foreign equities, money market securities, bonds and real estate.

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## POWER CORPORATION SUPERANNUATION PLAN NOTES TO FINANCIAL STATEMENTS

As at December 31, 1999

**a) Interest Rate Risk**

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

**b) Credit Risk**

Credit risk arises from the potential for an investee to fail or for a counterparty to default on its contractual obligations to the Plan. The Plan limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service.

**Short - Term Securities**

The Plan invests in short-term securities that have an R1 or equivalent rating. At December 31, 1999, the Plan held Canadian dollar denominated investments of \$12 million (1998 - \$6 million) maturing within 4 to 202 days (1998 - 4 to 203 days) at yields of 4.6% to 5.3% (1998 - 4.5% to 5.2%) and U.S. dollar denominated investments of \$71 million (1998 - \$73 million) maturing within 39 to 70 days (1998 - 29 to 74 days) at yields of 5.6% to 5.9% (1998 - 5.0% to 5.4%).

The U.S. dollar denominated investments are part of an indexing strategy approved by the Board in 1997 to earn investment returns based on the S&P 500 Index using S&P 500 Index futures.

At December 31, 1999, the Plan's notional amount of futures contracts was \$73 million (\$50 U.S. million). At December 31, 1998, the Plan's notional amount of futures contracts was \$73 million (\$48 U.S. million). Notional amounts are not recorded as assets or liabilities in the financial statements. They represent the amount to which a rate or price is applied to determine the amount of cash flows to be exchanged.

Exposure to credit risk is limited, as these transactions are standardized contracts executed on established exchanges. The futures contracts are accounted for at market value adjusted daily and gains or losses are included in the increase in market value of investments.

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**POWER CORPORATION SUPERANNUATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

As at December 31, 1999

**Bonds**

The Plan invests in bonds that are considered to be high quality as described below:

| (in thousands)                                      |                   |               | 1999             |                  | 1998          |                  |                  |
|-----------------------------------------------------|-------------------|---------------|------------------|------------------|---------------|------------------|------------------|
|                                                     | Years to Maturity | Credit Rating | Market Value     | Average Yield(%) | Credit Rating | Market Value     | Average Yield(%) |
| <b>FEDERAL BONDS</b>                                |                   |               |                  |                  |               |                  |                  |
| Government of Canada                                |                   | AAA           |                  |                  | AAA           |                  |                  |
|                                                     | 1-5               |               | \$ 35,790        | 6.01             |               | \$ 97,256        | 4.80             |
|                                                     | 6-10              |               | 45,998           | 6.27             |               | 52,633           | 4.89             |
|                                                     | 11-15             |               | 33,443           | 6.29             |               | 15,253           | 5.01             |
|                                                     | 20+               |               | 47,086           | 6.14             |               | 25,655           | 5.16             |
| Federally Guaranteed                                |                   | AAA           |                  |                  | AAA           |                  |                  |
|                                                     | 1-5               |               | 3,898            | 6.33             |               | 4,533            | 5.32             |
|                                                     | 6-10              |               | 1,347            | 6.50             |               | -                | -                |
|                                                     |                   |               | <u>167,562</u>   |                  |               | <u>195,330</u>   |                  |
| <b>PROVINCIAL AND PROVINCIALLY GUARANTEED BONDS</b> |                   |               |                  |                  |               |                  |                  |
| British Columbia                                    | 6-10              | AA (low)      | 5,609            | 6.58             |               | -                | -                |
|                                                     | 20+               |               | 8,385            | 6.80             |               | -                | -                |
| Manitoba                                            | 1-5               | A             | 4,271            | 6.48             | A             | 4,383            | 5.17             |
|                                                     | 6-10              |               | 3,403            | 6.61             |               | 2,721            | 5.20             |
| New Brunswick                                       | 6-10              | A             | 554              | 6.54             | A             | 604              | 5.08             |
|                                                     | 16-20             |               | 2,836            | 6.80             |               | 3,275            | 5.49             |
| Ontario                                             | 1-5               | AA (low)      | 11,909           | 6.37             | A (high)      | 13,501           | 4.98             |
|                                                     | 6-10              |               | 7,307            | 5.54             |               | 5,810            | 5.14             |
|                                                     | 20+               |               | 6,089            | 6.74             |               | 7,388            | 5.69             |
| Quebec                                              | 1-5               | A (low)       | 1,298            | 6.42             | A (low)       | 1,354            | 5.12             |
|                                                     | 6-10              |               | 1,320            | 6.69             |               | 1,436            | 5.40             |
|                                                     | 20+               |               | 4,271            | 6.92             |               | 4,881            | 5.92             |
| Saskatchewan                                        | 6-10              | A (low)       | 3,253            | 6.61             | A (low)       | 3,579            | 5.19             |
|                                                     |                   |               | <u>60,505</u>    |                  |               | <u>48,932</u>    |                  |
| <b>CORPORATE BONDS</b>                              |                   | AA-BBB        |                  |                  | AA-BBB        |                  |                  |
|                                                     | 1-5               |               | 17,528           | 6.28             |               | 19,280           | 5.39             |
|                                                     | 6-10              |               | 17,560           | 6.87             |               | 18,001           | 6.11             |
|                                                     | 11-15             |               | 2,245            | 6.74             |               | 2,440            | 5.55             |
|                                                     | 16-20             |               | 4,893            | 7.57             |               | -                | -                |
|                                                     | 20+               |               | 7,752            | 7.21             |               | 9,418            | 6.12             |
|                                                     |                   |               | <u>49,978</u>    |                  |               | <u>49,139</u>    |                  |
|                                                     |                   |               | <u>\$278,045</u> |                  |               | <u>\$293,401</u> |                  |

**POWER CORPORATION SUPERANNUATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
As at December 31, 1999

**Equities**

The Plan's equity investments are held as portfolio investments and are generally readily marketable. Investments are generally limited to stocks that are publicly traded on a recognized securities market.

**c) Foreign Currency Risk**

Foreign currency exposure arises from the Plan's holdings of foreign equities and U.S. dollar-denominated short-term securities.

| (in thousands)                                                    | Investments |           | % of Plan Investments |      |
|-------------------------------------------------------------------|-------------|-----------|-----------------------|------|
|                                                                   | 1999        | 1998      | 1999                  | 1998 |
| Canadian short-term securities<br>denominated in U.S. dollars (1) | \$ 71,376   | \$ 72,623 | 10.3                  | 11.0 |
| Foreign Equities:                                                 |             |           |                       |      |
| International Equities (2)                                        | 72,388      | 62,647    | 10.4                  | 9.4  |
| Non-North American Fund (3)                                       | 86,380      | 70,653    | 12.4                  | 10.7 |
| Emerging Markets Fund (3)                                         | -           | 1,490     | -                     | 0.2  |
| Total Foreign Equities                                            | 158,768     | 134,790   |                       |      |
| Total Foreign Currency Exposure                                   | \$230,144   | \$207,413 | 32.7                  | 31.3 |

(1) These investments are part of an indexing strategy for which Newcastle Capital Management Inc. was retained to manage in 1997. The intent of the indexing strategy is to replicate the S&P 500 Index total returns.

(2) In 1997, Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.

(3) These assets are pooled equity funds and are part of the Greystone Capital Management Inc. (GCMI) mandate. GCMI has delegated the management of these funds to Vontobel.

# POWER CORPORATION SUPERANNUATION PLAN

## NOTES TO FINANCIAL STATEMENTS

As at December 31, 1999

### Bonds

The Plan invests in bonds that are considered to be high quality as described below:

| (in thousands)                                      |                   |               | 1999             |                  | 1998          |                  |                  |
|-----------------------------------------------------|-------------------|---------------|------------------|------------------|---------------|------------------|------------------|
|                                                     | Years to Maturity | Credit Rating | Market Value     | Average Yield(%) | Credit Rating | Market Value     | Average Yield(%) |
| <b>FEDERAL BONDS</b>                                |                   |               |                  |                  |               |                  |                  |
| Government of Canada                                |                   | AAA           |                  |                  | AAA           |                  |                  |
|                                                     | 1-5               |               | \$ 35,790        | 6.01             |               | \$ 97,256        | 4.80             |
|                                                     | 6-10              |               | 45,998           | 6.27             |               | 52,633           | 4.89             |
|                                                     | 11-15             |               | 33,443           | 6.29             |               | 15,253           | 5.01             |
|                                                     | 20+               |               | 47,086           | 6.14             |               | 25,655           | 5.16             |
| Federally Guaranteed                                |                   | AAA           |                  |                  | AAA           |                  |                  |
|                                                     | 1-5               |               | 3,898            | 6.33             |               | 4,533            | 5.32             |
|                                                     | 6-10              |               | 1,347            | 6.50             |               | —                | —                |
|                                                     |                   |               | <u>167,562</u>   |                  |               | <u>195,330</u>   |                  |
| <b>PROVINCIAL AND PROVINCIALLY GUARANTEED BONDS</b> |                   |               |                  |                  |               |                  |                  |
| British Columbia                                    | 6-10              | AA (low)      | 5,609            | 6.58             |               | —                | —                |
|                                                     | 20+               |               | 8,385            | 6.80             |               | —                | —                |
| Manitoba                                            | 1-5               | A             | 4,271            | 6.48             | A             | 4,383            | 5.17             |
|                                                     | 6-10              |               | 3,403            | 6.61             |               | 2,721            | 5.20             |
| New Brunswick                                       | 6-10              | A             | 554              | 6.54             | A             | 604              | 5.08             |
|                                                     | 16-20             |               | 2,836            | 6.80             |               | 3,275            | 5.49             |
| Ontario                                             | 1-5               | AA (low)      | 11,909           | 6.37             | A (high)      | 13,501           | 4.98             |
|                                                     | 6-10              |               | 7,307            | 6.54             |               | 5,810            | 5.14             |
|                                                     | 20+               |               | 6,089            | 6.74             |               | 7,388            | 5.69             |
| Quebec                                              | 1-5               | A (low)       | 1,298            | 6.42             | A (low)       | 1,354            | 5.12             |
|                                                     | 6-10              |               | 1,320            | 6.69             |               | 1,436            | 5.40             |
|                                                     | 20+               |               | 4,271            | 6.92             |               | 4,881            | 5.92             |
| Saskatchewan                                        | 6-10              | A (low)       | 3,253            | 6.61             | A (low)       | 3,579            | 5.19             |
|                                                     |                   |               | <u>60,505</u>    |                  |               | <u>48,932</u>    |                  |
| <b>CORPORATE BONDS</b>                              |                   | AA-BBB        |                  |                  | AA-BBB        |                  |                  |
|                                                     | 1-5               |               | 17,528           | 6.28             |               | 19,280           | 5.39             |
|                                                     | 6-10              |               | 17,560           | 6.87             |               | 18,001           | 6.11             |
|                                                     | 11-15             |               | 2,245            | 6.74             |               | 2,440            | 5.55             |
|                                                     | 16-20             |               | 4,893            | 7.57             |               | —                | —                |
|                                                     | 20+               |               | 7,752            | 7.21             |               | 9,418            | 6.12             |
|                                                     |                   |               | <u>49,978</u>    |                  |               | <u>49,139</u>    |                  |
|                                                     |                   |               | <u>\$278,045</u> |                  |               | <u>\$293,401</u> |                  |

**POWER CORPORATION SUPERANNUATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**As at December 31, 1999**

**Equities**

The Plan's equity investments are held as portfolio investments and are generally readily marketable. Investments are generally limited to stocks that are publicly traded on a recognized securities market.

**c) Foreign Currency Risk**

Foreign currency exposure arises from the Plan's holdings of foreign equities and U.S. dollar-denominated short-term securities.

| (in thousands)                                                    | Investments      |                  | % of Plan Investments |      |
|-------------------------------------------------------------------|------------------|------------------|-----------------------|------|
|                                                                   | 1999             | 1998             | 1999                  | 1998 |
| Canadian short-term securities<br>denominated in U.S. dollars (1) | <u>\$ 71,396</u> | <u>\$ 72,623</u> | 10.2                  | 11.0 |
| Foreign Equities:                                                 |                  |                  |                       |      |
| International Equities (2)                                        | 72,926           | 62,647           | 10.4                  | 9.4  |
| Non-North American Fund (3)                                       | 86,880           | 70,653           | 12.4                  | 10.7 |
| Emerging Markets Fund (3)                                         | —                | 1,490            | —                     | 0.2  |
| Total Foreign Equities                                            | <u>159,806</u>   | <u>134,790</u>   |                       |      |
| Total Foreign Currency Exposure                                   | <u>\$231,202</u> | <u>\$207,413</u> | 33.0                  | 31.3 |

(1) These investments are part of an indexing strategy for which Newcastle Capital Management Inc. was retained to manage in 1997. The intent of the indexing strategy is to replicate the S&P 500 Index total returns.

(2) In 1997, Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.

(3) These assets are pooled equity funds and are part of the Greystone Capital Management Inc. (GCMI) mandate. GCMI has delegated the management of these funds to Vontobel.

**POWER CORPORATION SUPERANNUATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

As at December 31, 1999

**4. OBLIGATIONS FOR PENSION BENEFITS**

The present value of accrued pension benefits is determined using the projected benefit method prorated on services and reflects management's best estimates including future investment returns, wage and salary increases, age at retirement and future pension indexing up to the annual rate of increase in the Consumer Price Index. An actuarial valuation was made as of September 30, 1999, by Aon Consulting Inc. and was then extrapolated to December 31, 1999.

The actuarial present value of benefits as at December 31 and the principal components of changes in actuarial present values during the year were as follows:

**Actuarial Present Value of Accrued Pension Benefits**

| (in thousands)                      | 1999             | 1998             |
|-------------------------------------|------------------|------------------|
| Balance, beginning of year          | \$610,050        | \$573,784        |
| Interest accrued on benefits        | 40,900           | 40,434           |
| Benefits paid                       | (37,796)         | (37,495)         |
| Changes in actuarial assumptions    | —                | 39,480           |
| Experience losses (gains) and other | 13,985           | (11,606)         |
| Benefits accrued                    | 6,338            | 5,453            |
| Balance, end of year                | <u>\$633,477</u> | <u>\$610,050</u> |

The assumptions used in determining the actuarial value of accrued pension benefits were:

|                       | 1999  | 1998  |
|-----------------------|-------|-------|
| Interest rate         | 6.75% | 6.75% |
| Inflation (1)         | 2.00% | 1.50% |
| Salary escalation (2) | 2.50% | 2.00% |

(1) Inflation rate increases each year by half a percent to 4% in 2004 and thereafter.

(2) Salary escalation rate increases each year by half a percent to 5% in 2004 and thereafter.

## POWER CORPORATION SUPERANNUATION PLAN NOTES TO FINANCIAL STATEMENTS

As at December 31, 1999

The current year and previous year valuations assume pensions will be indexed in the future by the Lieutenant-Governor in Council at 50% of the annual rate of increase in the Consumer Price Index (CPI).

If future pensions are indexed at 40% of the annual rate of increase in the CPI, the actuarial present value of benefits would decrease from \$633 million to \$612 million. With future pension indexing at 60% of the rate of increase in the CPI, the actuarial present value of benefits would increase to \$656 million.

Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. As at December 31, 1999, assuming constant inflation and salary escalation assumptions, a 0.5% change in the assumed real long-term rates of return would result in a change in the pension liabilities of approximately 5.5%.

The actuarial value of net assets available for benefits is based on market values except for equities which are adjusted using a three-year averaging method.

The actuarial value of net assets available for benefits as at December 31 is as follows:

| (in thousands)                                       | 1999             | 1998             |
|------------------------------------------------------|------------------|------------------|
| Market value of net assets available for benefits    | \$707,384        | \$665,981        |
| Equity adjustment                                    | (26,995)         | 1,528            |
| Actuarial value of net assets available for benefits | <u>\$680,389</u> | <u>\$667,509</u> |

### 5. FUNDING POLICY

In accordance with *The Power Corporation Superannuation Act*, the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. Some Plan members are employees of other corporations that have been designated by the Lieutenant-Governor in Council as institutions; these corporations make contributions equal to their employees' contributions in accordance with *The Superannuation (Supplementary Provisions) Act*.

### 6. RELATED PARTY TRANSACTIONS

#### a) Administration

As indicated in Note 7 certain administration costs are paid by the Corporation.

#### b) Investment Management Services

Greystone Capital Management Inc. (GCMI) provides investment management services to the Plan on a fee-for-service basis. In 1999, the Plan sold its holdings of GCMI Common shares and is therefore no longer a shareholder in GCMI. A nominal gain was realized on the sale. In 1998, the Plan held 4% of outstanding Common shares of GCMI.

**POWER CORPORATION SUPERANNUATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

As at December 31, 1999

**4. OBLIGATIONS FOR PENSION BENEFITS**

The present value of accrued pension benefits is determined using the projected benefit method prorated on services and reflects management's best estimates including future investment returns, wage and salary increases, age at retirement and future pension indexing up to the annual rate of increase in the Consumer Price Index. An actuarial valuation was made as of September 30, 1999, by Aon Consulting Inc. and was then extrapolated to December 31, 1999.

The actuarial present value of benefits as at December 31 and the principal components of changes in actuarial present values during the year were as follows:

**Actuarial Present Value of Accrued Pension Benefits**

| (in thousands)                      |  | 1998             |
|-------------------------------------|--|------------------|
| Balance, beginning of year          |  | \$573,784        |
| Interest accrued on benefits        |  | 40,434           |
| Benefits paid                       |  | (37,495)         |
| Changes in actuarial assumptions    |  | 39,480           |
| Experience losses (gains) and other |  | (11,606)         |
| Benefits accrued                    |  | <u>5,453</u>     |
| Balance, end of year                |  | <u>\$610,050</u> |

The assumptions used in determining the actuarial value of accrued pension benefits were:

|                       |  | 1998  |
|-----------------------|--|-------|
| Interest rate         |  | 6.75% |
| Inflation (1)         |  | 1.50% |
| Salary escalation (2) |  | 2.00% |

(1) Inflation rate increases each year by half a percent to 4% in 2004 and thereafter.

(2) Salary escalation rate increases each year by half a percent to 5% in 2004 and thereafter.

## POWER CORPORATION SUPERANNUATION PLAN NOTES TO FINANCIAL STATEMENTS

As at December 31, 1999

The current year and previous year valuations assume pensions will be indexed in the future by the Lieutenant-Governor in Council at 50% of the annual rate of increase in the Consumer Price Index (CPI).

If future pensions are indexed at 40% of the annual rate of increase in the CPI, the actuarial present value of benefits would decrease from \$633 million to \$612 million. With future pension indexing at 60% of the rate of increase in the CPI, the actuarial present value of benefits would increase to \$656 million.

Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. As at December 31, 1999, assuming constant inflation and salary escalation assumptions, a 0.5% change in the assumed real long-term rates of return would result in a change in the pension liabilities of approximately 5.5%.

The actuarial value of net assets available for benefits is based on market values except for equities which are adjusted using a three-year averaging method.

The actuarial value of net assets available for benefits as at December 31 is as follows:

| (in thousands)                                       | 1999      | 1998      |
|------------------------------------------------------|-----------|-----------|
| Market value of net assets available for benefits    | \$707,384 | \$665,981 |
| Equity adjustment                                    | (24,993)  | 1,528     |
| Actuarial value of net assets available for benefits | \$682,391 | \$667,509 |

### 5. FUNDING POLICY

In accordance with *The Power Corporation Superannuation Act*, the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. Some Plan members are employees of other corporations that have been designated by the Lieutenant-Governor in Council as institutions; these corporations make contributions equal to their employees' contributions in accordance with *The Superannuation (Supplementary Provisions) Act*.

### 6. RELATED PARTY TRANSACTIONS

#### a) Administration

As indicated in Note 7 certain administration costs are paid by the Corporation.

#### b) Investment Management Services

Greystone Capital Management Inc. (GCMI) provides investment management services to the Plan on a fee-for-service basis. In 1999, the Plan sold its holdings of GCMI Common shares and is therefore no longer a shareholder in GCMI. A nominal gain was realized on the sale. In 1998, the Plan held 4% of outstanding Common shares of GCMI.



# POWER CORPORATION SUPERANNUATION PLAN NOTES TO FINANCIAL STATEMENTS

As at December 31, 1999

In 1998, the Plan was a shareholder in GCMI along with several other Government of Saskatchewan public sector pension plans, other Government of Saskatchewan agencies and an unrelated private sector pension plan.

GCMI manages 47% (1998 – 46%) of the Plan's investments, including the Non-North American and the Emerging Markets pooled equity funds whose management has been delegated by GCMI to Vontobel.

Included in administrative expenses are GCMI investment management fees of \$0.5 million (1998 – \$0.6 million).

## c) Investments

|                                     | Investments |        | Investment Income |       |
|-------------------------------------|-------------|--------|-------------------|-------|
| (in thousands)                      | 1999        | 1998   | 1999              | 1998  |
| Province of Saskatchewan            |             |        |                   |       |
| Bonds & Debentures                  | 3,253       | 3,579  | 193               | 173   |
| Greystone Capital Management Inc.   |             |        |                   |       |
| Bonds (1)                           | 280         | 315    | 22                | 24    |
| Greystone Non-North American        |             |        |                   |       |
| Fund (2)                            | 86,880      | 70,653 | 8,125             | 2,009 |
| Greystone Emerging Markets Fund (2) | –           | 1,490  | –                 | 32    |
| Equity in SaskPen (3)               | 4,164       | 4,374  | 348               | 310   |

(1) The purchase of Greystone Capital Management Inc. bonds was approved by the Board in September 1997. The bonds pay interest semi-annually at the rate of 7% per annum and annual principal repayments equal to 10% of the face amount of the debentures in the years 1998 to 2007.

(2) The Plan holds 4,850,917 units, 10.2% of total units outstanding in the Greystone Non-North American Fund.

(3) SaskPen Properties Ltd. is a real estate corporation owned by Government of Saskatchewan managed public sector pension plans.

# POWER CORPORATION SUPERANNUATION PLAN NOTES TO FINANCIAL STATEMENTS

As at December 31, 1999

In 1998, the Plan was a shareholder in GCMI along with several other Government of Saskatchewan public sector pension plans, other Government of Saskatchewan agencies and an unrelated private sector pension plan.

GCMI manages 47% (1998 - 46%) of the Plan's investments, including the Non-North American and the Emerging Markets pooled equity funds whose management has been delegated by GCMI to Vontobel.

Included in administrative expenses are GCMI investment management fees of \$0.5 million (1998 - \$0.6 million).

## c) Investments

|                                     | Investments |        | Investment Income |       |
|-------------------------------------|-------------|--------|-------------------|-------|
| (In thousands)                      | 1999        | 1998   | 1999              | 1998  |
| Province of Saskatchewan            |             |        |                   |       |
| Bonds & Debentures                  | 3,579       | 3,579  | 173               | 173   |
| Greystone Capital Management Inc.   |             |        |                   |       |
| Bonds (1)                           | 315         | 315    | 24                | 24    |
| Greystone Non-North American        |             |        |                   |       |
| Fund (2)                            | 70,653      | 70,653 | 2,009             | 2,009 |
| Greystone Emerging Markets Fund (2) | 1,490       | 1,490  | 32                | 32    |
| Equity in SaskPen (3)               | 4,374       | 4,374  | 310               | 310   |

(1) The purchase of Greystone Capital Management Inc. bonds was approved by the Board in September 1997. The bonds pay interest semi-annually at the rate of 7% per annum and annual principal repayments equal to 10% of the face amount of the debentures in the years 1998 to 2007.

(2) The Plan holds 4,850,917 units, 10.2% of total units outstanding in the Greystone Non-North American Fund.

(3) SaskPen Properties Ltd. is a real estate corporation owned by Government of Saskatchewan managed public sector pension plans.

**POWER CORPORATION SUPERANNUATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**As at December 31, 1999**

**7. ADMINISTRATION COSTS**

*The Superannuation (Supplementary Provisions) Act* permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan.

**a) Administration**

The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan financial statements. The costs typically paid for by the Corporation include audit, actuarial and consulting fees as well as general administration costs. However, investment management and custodial fees are paid by the Plan.

The Board has developed, with the assistance of its consultant, Towers Perrin, specific investment policies and guidelines to which the investment managers must adhere when making investment decisions. The consultant fees were paid by the Corporation.

**b) Investment Management Services**

Greystone Capital Management Inc., Laketon Investment Management Ltd., Jarislowsky Fraser Ltd., Templeton Management Limited, Perigee Investment Counsel Inc. and Newcastle Capital Management Inc. invested the monies of the Plan during the year, under a contract to provide services.

**c) Custodian Services**

The custodian for the Plan assets is responsible for the processing and handling of investment transactions. Custodian services were provided by the Trust Company of Bank of Montreal until October 31, 1999.

Effective November 1, 1999, custodian services were provided by CIBC Mellon Global Securities Services Company.

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**POWER CORPORATION SUPERANNUATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
As at December 31, 1999

**8. INVESTMENT PERFORMANCE**

The investment manager makes the day-to-day decisions on whether to buy or sell specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The primary long-term investment performance objective for the entire portfolio is to out-perform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

|                              | Annual Return |       | Rolling<br>Four-Year Average<br>Annual Return |       |
|------------------------------|---------------|-------|-----------------------------------------------|-------|
|                              | 1999          | 1998  | 1999                                          | 1998  |
| Plan's actual rate of return | 12.7%         | 12.9% | 14.8%                                         | 16.2% |
| Target rate of return        | 12.5%         | 13.8% | 14.1%                                         | 15.8% |

**9. COMPARATIVE FIGURES**

Certain amounts for the prior year have been reclassified to conform to current year financial statement presentation.

**POWER CORPORATION SUPERANNUATION PLAN**  
**SCHEDULE OF INVESTMENTS**  
**As at December 31**

| (In thousands)                                  | 1999             | 1998             |
|-------------------------------------------------|------------------|------------------|
| <b>SHORT-TERM SECURITIES</b> (Note 3)           |                  |                  |
| Canada                                          | \$ 12,120        | \$ 6,212         |
| U.S.                                            | 71,396           | 72,623           |
|                                                 | <u>83,516</u>    | <u>78,835</u>    |
| <b>BONDS AND DEBENTURES</b> (Note 3)            |                  |                  |
| Government of Canada and federally guaranteed   | 167,562          | 195,330          |
| Provincial and provincially guaranteed (Note 6) | 60,505           | 48,932           |
| Corporate                                       | 49,978           | 49,139           |
|                                                 | <u>278,045</u>   | <u>293,401</u>   |
| <b>EQUITIES</b> (Notes 3 and 6)                 |                  |                  |
| Canada                                          | 171,799          | 143,751          |
| Foreign                                         | 159,806          | 134,790          |
|                                                 | <u>331,605</u>   | <u>278,541</u>   |
| <b>MORTGAGES</b>                                |                  |                  |
| Conventional                                    | <u>725</u>       | <u>749</u>       |
| <b>REAL ESTATE</b> (Note 6)                     | <u>7,670</u>     | <u>11,024</u>    |
|                                                 | <u>\$701,561</u> | <u>\$662,550</u> |

See accompanying notes

**POWER CORPORATION SUPERANNUATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
 As at December 31, 1999

**8. INVESTMENT PERFORMANCE**

The investment manager makes the day-to-day decisions on whether to buy or sell specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The primary long-term investment performance objective for the entire portfolio is to out-perform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

|                              | Annual Return |       | Rolling<br>Four-Year Average<br>Annual Return |       |
|------------------------------|---------------|-------|-----------------------------------------------|-------|
|                              | 1999          | 1998  | 1999                                          | 1998  |
| Plan's actual rate of return | 12.7%         | 12.9% | 14.8%                                         | 16.2% |
| Target rate of return        | 12.5%         | 13.8% | 14.1%                                         | 15.8% |

**9. COMPARATIVE FIGURES**

Certain amounts for the prior year have been reclassified to conform to current year financial statement presentation.

**POWER CORPORATION SUPERANNUATION PLAN**  
**SCHEDULE OF INVESTMENTS**  
**As at December 31**

| (in thousands)                                  | 1999             | 1998             |
|-------------------------------------------------|------------------|------------------|
| <b>SHORT-TERM SECURITIES</b> (Note 3)           |                  |                  |
| Canada                                          | \$ 12,120        | \$ 6,212         |
| U.S.                                            | 71,396           | 72,623           |
|                                                 | <u>83,516</u>    | <u>78,835</u>    |
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| Government of Canada and federally guaranteed   | 167,562          | 195,330          |
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| Corporate                                       | 49,978           | 49,139           |
|                                                 | <u>278,045</u>   | <u>293,401</u>   |
| <b>EQUITIES</b> (Notes 3 and 6)                 |                  |                  |
| Canada                                          | 171,799          | 143,751          |
| Foreign                                         | 159,806          | 134,790          |
|                                                 | <u>331,605</u>   | <u>278,541</u>   |
| <b>MORTGAGES</b>                                |                  |                  |
| Conventional                                    | <u>725</u>       | <u>749</u>       |
| <b>REAL ESTATE</b> (Note 6)                     | <u>7,670</u>     | <u>11,024</u>    |
|                                                 | <u>\$701,561</u> | <u>\$662,550</u> |

*See accompanying notes*

**POWER CORPORATION SUPERANNUATION PLAN**  
**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**  
**Five-Year Review**

| (in thousands)                           | 1999                    | 1998                    | 1997                    | 1996                    | 1995                    |
|------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>ASSETS</b>                            |                         |                         |                         |                         |                         |
| <b>Investments</b>                       |                         |                         |                         |                         |                         |
| Short-term securities                    | \$ 83,516               | \$ 78,835               | \$ 90,419               | \$ 14,355               | \$ 12,417               |
| Bonds and debentures                     | 278,045                 | 293,401                 | 264,718                 | 323,516                 | 283,608                 |
| Equities                                 | 331,605                 | 278,541                 | 258,710                 | 214,413                 | 195,866                 |
| Mortgages                                | 725                     | 749                     | 771                     | 4,053                   | 9,612                   |
| Real estate                              | 7,670                   | 11,024                  | 10,459                  | 10,794                  | 10,407                  |
|                                          | <u>701,561</u>          | <u>662,550</u>          | <u>625,077</u>          | <u>567,131</u>          | <u>511,910</u>          |
| <b>Receivables</b>                       |                         |                         |                         |                         |                         |
| Employees' contributions                 | 65                      | 60                      | 59                      | 68                      | 72                      |
| Sponsors' contributions                  | 56                      | 58                      | 65                      | 72                      | 71                      |
| Accrued investment income                | 3,360                   | 3,649                   | 4,314                   | 5,263                   | 5,407                   |
| Other receivables                        | 16                      | 2,347                   | 467                     | —                       | 2,305                   |
|                                          | <u>3,497</u>            | <u>6,114</u>            | <u>4,905</u>            | <u>5,403</u>            | <u>7,855</u>            |
| <b>Cash</b>                              | <b>3,538</b>            | <b>1,328</b>            | <b>860</b>              | <b>183</b>              | <b>339</b>              |
| <b>TOTAL ASSETS</b>                      | <b><u>708,596</u></b>   | <b><u>669,992</u></b>   | <b><u>630,842</u></b>   | <b><u>572,717</u></b>   | <b><u>520,104</u></b>   |
| <b>LIABILITIES</b>                       |                         |                         |                         |                         |                         |
| Accounts payable                         | 1,212                   | 4,011                   | 1,950                   | 1,282                   | 3,503                   |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b> | <b><u>\$707,384</u></b> | <b><u>\$665,981</u></b> | <b><u>\$628,892</u></b> | <b><u>\$571,435</u></b> | <b><u>\$516,601</u></b> |

## POWER CORPORATION SUPERANNUATION PLAN

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

## Five-Year Review

| (in thousands)                                              | 1999             | 1998             | 1997             | 1996             | 1995             |
|-------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>INCREASE IN ASSETS</b>                                   |                  |                  |                  |                  |                  |
| <b>Investment Income</b>                                    |                  |                  |                  |                  |                  |
| Interest                                                    |                  |                  |                  |                  |                  |
| Short-term securities                                       | \$ 4,133         | \$ 4,564         | \$ 1,479         | \$ 1,222         | \$ 1,583         |
| Bonds and debentures                                        | 17,155           | 17,150           | 19,511           | 18,152           | 18,119           |
| Mortgages                                                   | 57               | 58               | 221              | 619              | 928              |
|                                                             | 21,345           | 21,772           | 21,211           | 19,993           | 20,630           |
| Dividends                                                   | 5,037            | 4,746            | 3,832            | 3,961            | 4,244            |
| Real estate income                                          | 637              | 836              | 901              | 904              | 831              |
|                                                             | 27,019           | 27,354           | 25,944           | 24,858           | 25,705           |
| <b>Increase in Market Values of Investments</b>             | 51,068           | 46,317           | 67,096           | 62,550           | 57,071           |
| <b>Contributions</b>                                        |                  |                  |                  |                  |                  |
| Employees'                                                  | 1,919            | 1,923            | 1,981            | 2,414            | 2,717            |
| Sponsors'                                                   | 560              | 563              | 600              | 690              | 767              |
| Transfers from other plans                                  | 180              | -                | -                | -                | -                |
|                                                             | 2,659            | 2,486            | 2,581            | 3,104            | 3,484            |
| <b>TOTAL INCREASE IN ASSETS</b>                             | <b>80,746</b>    | <b>76,157</b>    | <b>95,621</b>    | <b>90,512</b>    | <b>86,260</b>    |
| <b>DECREASE IN ASSETS</b>                                   |                  |                  |                  |                  |                  |
| Superannuation allowances                                   | 37,367           | 36,999           | 36,734           | 34,487           | 31,008           |
| Refunds on terminations                                     | 429              | 496              | 591              | 551              | 169              |
| Administrative expenses                                     | 1,547            | 1,573            | 839              | 640              | 726              |
| <b>TOTAL DECREASE IN ASSETS</b>                             | <b>39,343</b>    | <b>39,068</b>    | <b>38,164</b>    | <b>35,678</b>    | <b>31,903</b>    |
| <b>INCREASE IN NET ASSETS</b>                               | <b>41,403</b>    | <b>37,089</b>    | <b>57,457</b>    | <b>54,834</b>    | <b>54,357</b>    |
| <b>NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR</b> | <b>665,981</b>   | <b>628,892</b>   | <b>571,435</b>   | <b>516,601</b>   | <b>462,244</b>   |
| <b>NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR</b>       | <b>\$707,384</b> | <b>\$665,981</b> | <b>\$628,892</b> | <b>\$571,435</b> | <b>\$516,601</b> |

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**POWER CORPORATION SUPERANNUATION PLAN**  
**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**  
**Five-Year Review**

| (in thousands)                           | 1999             | 1998             | 1997             | 1996             | 1995             |
|------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>ASSETS</b>                            |                  |                  |                  |                  |                  |
| <b>Investments</b>                       |                  |                  |                  |                  |                  |
| Short-term securities                    | \$ 83,516        | \$ 78,835        | \$ 90,419        | \$ 14,355        | \$ 12,417        |
| Bonds and debentures                     | 278,043          | 293,401          | 264,718          | 323,516          | 283,608          |
| Equities                                 | 531,805          | 278,541          | 258,710          | 214,413          | 195,866          |
| Mortgages                                | 725              | 749              | 771              | 4,053            | 9,612            |
| Real estate                              | 7,670            | 11,024           | 10,459           | 10,794           | 10,407           |
|                                          | <u>701,561</u>   | <u>662,550</u>   | <u>625,077</u>   | <u>567,131</u>   | <u>511,910</u>   |
| <b>Receivables</b>                       |                  |                  |                  |                  |                  |
| Employees' contributions                 | 65               | 60               | 59               | 68               | 72               |
| Sponsors' contributions                  | 56               | 58               | 65               | 72               | 71               |
| Accrued investment income                | 3,360            | 3,649            | 4,314            | 5,263            | 5,407            |
| Other receivables                        | 16               | 2,347            | 467              | -                | 2,305            |
|                                          | <u>3,497</u>     | <u>6,114</u>     | <u>4,905</u>     | <u>5,403</u>     | <u>7,855</u>     |
| <b>Cash</b>                              | <u>3,538</u>     | <u>1,328</u>     | <u>860</u>       | <u>183</u>       | <u>339</u>       |
| <b>TOTAL ASSETS</b>                      | <u>708,596</u>   | <u>669,992</u>   | <u>630,842</u>   | <u>572,717</u>   | <u>520,104</u>   |
| <b>LIABILITIES</b>                       |                  |                  |                  |                  |                  |
| Accounts payable                         | 1,212            | 4,011            | 1,950            | 1,282            | 3,503            |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b> | <u>\$707,384</u> | <u>\$665,981</u> | <u>\$628,892</u> | <u>\$571,435</u> | <u>\$516,601</u> |

## POWER CORPORATION SUPERANNUATION PLAN

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

## Five-Year Review

| (in thousands)                                              | 1999      | 1998      | 1997      | 1996      | 1995      |
|-------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| <b>INCREASE IN ASSETS</b>                                   |           |           |           |           |           |
| <b>Investment Income</b>                                    |           |           |           |           |           |
| Interest                                                    |           |           |           |           |           |
| Short-term securities                                       | \$ 4,133  | \$ 4,564  | \$ 1,479  | \$ 1,222  | \$ 1,583  |
| Bonds and debentures                                        | 17,155    | 17,150    | 19,511    | 18,152    | 18,119    |
| Mortgages                                                   | 57        | 58        | 221       | 619       | 928       |
|                                                             | 21,345    | 21,772    | 21,211    | 19,993    | 20,630    |
| Dividends                                                   | 5,037     | 4,746     | 3,832     | 3,961     | 4,244     |
| Real estate income                                          | 637       | 836       | 901       | 904       | 831       |
|                                                             | 27,019    | 27,354    | 25,944    | 24,858    | 25,705    |
| <b>Increase in Market Values of Investments</b>             | 51,068    | 46,317    | 67,096    | 62,550    | 57,071    |
| <b>Contributions</b>                                        |           |           |           |           |           |
| Employees'                                                  | 1,919     | 1,923     | 1,981     | 2,414     | 2,717     |
| Sponsors'                                                   | 560       | 563       | 600       | 690       | 767       |
| Transfers from other plans                                  | 180       | -         | -         | -         | -         |
|                                                             | 2,659     | 2,486     | 2,581     | 3,104     | 3,484     |
| <b>TOTAL INCREASE IN ASSETS</b>                             | 80,746    | 76,157    | 95,621    | 90,512    | 86,600    |
| <b>DECREASE IN ASSETS</b>                                   |           |           |           |           |           |
| Superannuation allowances                                   | 37,367    | 36,999    | 36,734    | 34,487    | 31,008    |
| Refunds on terminations                                     | 429       | 496       | 591       | 551       | 169       |
| Administrative expenses                                     | 1,547     | 1,573     | 839       | 640       | 726       |
| <b>TOTAL DECREASE IN ASSETS</b>                             | 39,343    | 39,068    | 38,164    | 35,678    | 31,903    |
| <b>INCREASE IN NET ASSETS</b>                               | 41,403    | 37,089    | 57,457    | 54,834    | 54,357    |
| <b>NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR</b> | 665,981   | 628,892   | 571,435   | 516,601   | 462,244   |
| <b>NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR</b>       | \$707,384 | \$665,981 | \$628,892 | \$571,435 | \$516,601 |



**POWER CORPORATION SUPERANNUATION PLAN**  
**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND**  
**ACCRUED PENSION BENEFITS AND SURPLUS**

**Five-Year Review**

| (in thousands)                                             | 1999             | 1998             | 1997             | 1996             | 1995            |
|------------------------------------------------------------|------------------|------------------|------------------|------------------|-----------------|
| <b>ASSETS</b>                                              |                  |                  |                  |                  |                 |
| Investments                                                | \$701,561        | \$662,550        | \$625,077        | \$567,131        | \$511,910       |
| Receivables                                                | 3,497            | 6,114            | 4,905            | 5,403            | 7,855           |
| Cash                                                       | 3,538            | 1,328            | 860              | 183              | 339             |
|                                                            | <u>708,596</u>   | <u>669,992</u>   | <u>630,842</u>   | <u>572,717</u>   | <u>520,104</u>  |
| <b>LIABILITIES</b>                                         | <u>1,212</u>     | <u>4,011</u>     | <u>1,950</u>     | <u>1,282</u>     | <u>3,503</u>    |
| <b>NET ASSETS</b>                                          | <u>707,384</u>   | <u>665,981</u>   | <u>628,892</u>   | <u>571,435</u>   | <u>516,601</u>  |
| <b>EQUITY ADJUSTMENT</b>                                   | <u>(26,995)</u>  | <u>1,528</u>     | <u>2,696</u>     | <u>(18,030)</u>  | <u>(1,727)</u>  |
| <b>ACTUARIAL VALUE OF NET ASSETS</b>                       | <u>680,389</u>   | <u>667,509</u>   | <u>631,588</u>   | <u>553,405</u>   | <u>514,874</u>  |
| <b>ACTUARIAL PRESENT VALUE OF ACCRUED PENSION BENEFITS</b> | <u>633,477</u>   | <u>610,050</u>   | <u>573,784</u>   | <u>528,738</u>   | <u>511,351</u>  |
| <b>SURPLUS<sup>1</sup></b>                                 | <u>\$ 46,912</u> | <u>\$ 57,459</u> | <u>\$ 57,804</u> | <u>\$ 24,667</u> | <u>\$ 3,523</u> |

<sup>1</sup> Surplus is based on the estimated value of assets and pension liabilities as at December 31 of each year and does not take into account any estimate for future pension liabilities that might accrue as a result of future years of pensionable service.

**POWER CORPORATION SUPERANNUATION PLAN**  
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| (in thousands)                                             | 1999             | 1998             | 1997             | 1996             | 1995            |
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| <b>ASSETS</b>                                              |                  |                  |                  |                  |                 |
| Investments                                                | \$701,561        | \$662,550        | \$625,077        | \$567,131        | \$511,910       |
| Receivables                                                | 3,497            | 6,114            | 4,905            | 5,403            | 7,855           |
| Cash                                                       | 3,538            | 1,328            | 860              | 183              | 339             |
|                                                            | <u>708,596</u>   | <u>669,992</u>   | <u>630,842</u>   | <u>572,717</u>   | <u>520,104</u>  |
| <b>LIABILITIES</b>                                         | <u>1,212</u>     | <u>4,011</u>     | <u>1,950</u>     | <u>1,282</u>     | <u>3,503</u>    |
| <b>NET ASSETS</b>                                          | <u>707,384</u>   | <u>665,981</u>   | <u>628,892</u>   | <u>571,435</u>   | <u>516,601</u>  |
| <b>EQUITY ADJUSTMENT</b>                                   | <u>(26,995)</u>  | <u>1,528</u>     | <u>2,696</u>     | <u>(18,030)</u>  | <u>(1,727)</u>  |
| <b>ACTUARIAL VALUE OF NET ASSETS</b>                       | <u>680,389</u>   | <u>667,509</u>   | <u>631,588</u>   | <u>553,405</u>   | <u>514,874</u>  |
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